

ALERT

Federal Circuit Patent Bulletin: *Am. Calcar, Inc. v. Am. Honda Motor Co.*

September 29, 2014

“Partial disclosure of material information about the prior art to the PTO cannot absolve a patentee of intent if the disclosure is intentionally selective.”

On September 26, 2014, in *Am. Calcar, Inc. v. Am. Honda Motor Co.*, the U.S. Court of Appeals for the Federal Circuit (Prost,* Newman, Wallach) affirmed the district court's judgment that U.S. Patents No. 6,330,497, No. 6,438,465, and No. 6,542,795, which related to a multimedia system for use in a car to access vehicle information and control vehicle functions, were unenforceable due to inequitable conduct. The Federal Circuit stated:

Inequitable conduct is an equitable defense to patent infringement. The defendant proves inequitable conduct “by clear and convincing evidence that the patent applicant (1) misrepresented or omitted information material to patentability, and (2) did so with specific intent to mislead or deceive the PTO.” Intent and materiality must be separately established. [T]he standard for “the materiality required to establish inequitable conduct is but-for materiality.” In particular, undisclosed prior art is “but-for material if the PTO would not have allowed a claim had it been aware of” it. This means that to assess materiality, the court must look to the standard used by the PTO to allow claims during examination. To wit: “The court should apply the preponderance of the evidence standard and give claims their broadest reasonable construction.” District courts and the PTO employ different evidentiary standards and rules for claim construction. Therefore, “even if a district court does not invalidate a claim based on a deliberately withheld reference, the reference may

Authors

Lawrence M. Sung
Partner
202.719.4181
lsung@wiley.law

be material if it would have blocked patent issuance under the PTO's different evidentiary standards." . . .

Calcar provided a limited disclosure of the 96RL navigation system in the patents' specification, and it also submitted a New York Times article describing the system during prosecution. As the district found, however, these disclosures exclude material information about the 96RL system, such as the manner in which the prior art system provided notifications to the user and displayed search results. Partial disclosure of material information about the prior art to the PTO cannot absolve a patentee of intent if the disclosure is intentionally selective.

We recognize instead that "[b]ecause direct evidence of deceptive intent is rare, a district court may infer intent from indirect and circumstantial evidence," provided that such intent is the single reasonable inference. We further review "the district court's factual findings regarding what reasonable inferences may be drawn from the evidence for clear error."

In the previous appeal, we noted that based on its review of the record, the district court found that Mr. Obradovich's [(Calcar's founder)] testimony lacked credibility. It had inferred intent based on contradictory assertions made by Mr. Obradovich in both this proceeding and a previous suit. It also found that Mr. Obradovich was not candid about the inventors' possession of photographs of the 96RL system. We held, however, that in light of *Therasense*, the finding of materiality and Mr. Obradovich's lack of credibility were insufficient grounds to find intent. We thus remanded for the district court to determine whether the single reasonable inference of the factual record would be that any of the inventors possessed undisclosed information about the 96RL system, knew it was material, and deliberately decided to withhold that information from the PTO.

On remand, the district court reviewed the record and made the findings of fact required under *Therasense*. The district court found that Mr. Obradovich possessed material information based on his own testimony about his personal knowledge of the 96RL system, test drives of the 96RL with the system, and use of figures from the 96RL owner's manual in the patent application he drafted. It further found that Mr. Obradovich knew the information was material because he himself acknowledged the importance of the information he possessed about how the 96RL system was used to access information and present it to the user. The district court also found that the single reasonable inference based on the facts regarding Mr. Obradovich's role in developing the patent application was that Mr. Obradovich deliberately decided to withhold the information from the PTO.

The district court expressly rejected Calcar's suggestion that it would have been equally reasonable for the district court to infer that Mr. Obradovich's actions were merely negligent or grossly negligent. In Calcar's view, Mr. Obradovich's inexperience may have contributed to a mistaken or accidental failure to disclose. The district court found, however, that any such suggestion was unsupported by the evidence. It found that the evidence showed that Mr. Obradovich had "ample time and opportunity" for a comprehensive disclosure, and yet he only disclosed the mere existence of the 96RL system without providing its operational details. It concluded, therefore, that his failure to disclose other information that would have prevented his patent application from succeeding "demonstrates a deliberative process, not an accident or mistake." The district court noted in particular that Calcar's positions and Mr. Obradovich's testimony regarding his knowledge and possession of documents lacked credibility. Overall, we do not find any clear error in the district court's inference—based on its careful and comprehensive review of the record and eight years of experience with the case—of Mr. Obradovich's specific intent to deceive the PTO.

Finally, while Calcar points to the jury's advisory verdict in 2008 that there was no inequitable conduct, we find this argument unavailing. As we have held, inequitable conduct is "inequitable in nature," and thus the "district court was in no way bound by the jury's finding of no inequitable conduct in this case." In any event, after the jury submitted its advisory verdict, the district court requested thousands of pages of testimony from Calcar's previous litigation. This testimony included assertions by Mr. Obradovich that contradicted those made in these proceedings, which led the district court to its determination that Mr. Obradovich lacked credibility. This was evidence that the jury did not see. Therefore, we see no reason why the jury's advisory verdict suggests a reasonable alternative to the district court's inference.

In sum, on remand, the district court did not clearly err in its underlying factual findings of materiality and intent. Its thorough analysis was fully consistent with the standards and tests set forth in *Therasense*. The district court, therefore, did not abuse its discretion in determining that the patents were unenforceable due to inequitable conduct.